

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BOB STORY**, on March 12, 2001 at 8:00 A.M., in Room 472 Capitol.

ROLL CALL

Members Present:

Rep. Bob Story, Chairman (R)
Rep. Roger Somerville, Vice Chairman (R)
Rep. Joan Andersen (R)
Rep. Keith Bales (R)
Rep. Joe Balyeat (R)
Rep. Gary Branae (D)
Rep. Eileen Carney (D)
Rep. Larry Cyr (D)
Rep. Rick Dale (R)
Rep. Ronald Devlin (R)
Rep. John Esp (R)
Rep. Gary Forrester (D)
Rep. Daniel Fuchs (R)
Rep. Verdell Jackson (R)
Rep. Jesse Laslovich (D)
Rep. Trudi Schmidt (D)
Rep. Butch Waddill (R)
Rep. Karl Waitschies (R)
Rep. David Wanzenried (D)

Members Excused: Rep. Ron Erickson, Vice Chairman (D)

Members Absent: None.

Staff Present: Jeff Martin, Legislative Branch
Rhonda Van Meter, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: None
Executive Action: HB 415, HB 270, HB 619, HB
622, HB 550, HB 244, HB 441

Miscellaneous Discussion:

CHAIRMAN STORY handed out information on the comparison of Montana Cigarette Taxes to U.S. Cigarette Taxes **EXHIBIT (tah56a01)**. He explained the handout.

EXECUTIVE ACTION ON HB 415

Motion: REP. SOMERVILLE moved HB 415 DO PASS.

Discussion:

REP. ROGER SOMERVILLE said this bill establishes where the funds come from.

Dave Galt, Director, Transportation Department, handed out the long range planning document **EXHIBIT (tah56a02)**. He explained the document and its use within the department.

CHAIRMAN BOB STORY asked about bonds to be paid off. **Dale Galt** pointed to the expenditure side of the document and explained bonds and interests.

REP. JOHN ESP asked if any pay-outs were projected. **Dave Galt** answered no.

REP. JOE BALLYEAT asked how the ethanol would be affected. **Dave Galt** explained the ethanol produced and the balance figured through the plants used.

REP. SOMERVILLE mentioned the tax credit with the Great Falls ethanol plant. He thought this added a major impact.

REP. GARY FORRESTER asked what the Great Falls plant's implication on this bill was. **REP. SOMERVILLE** expected this to be an important bill, which could offer production for the state.

REP. FORRESTER talked about the funding with transportation and projects it would effect. **REP. SOMERVILLE** said every two years the general fund is looked at for tax purposes.

REP. DAVID WANZENRIED asked if this bill was supported by the department. **Dave Galt** did not know what the administration's thoughts were on this bill.

REP. WANZENRIED asked if the money would be appropriated. **REP. SOMERVILLE** thought it would be appropriated out of the general fund and earmarked.

REP. WANZENRIED wondered about the administration having problems with this money coming from the general fund. **REP. SOMERVILLE** said within this upcoming biennium not much money would be spent.

REP. WANZENRIED thought it should be addressed within the next biennium. **REP. SOMERVILLE** said the tax credit was extended.

REP. JOE BALYEAT asked for clarification with the ethanol plants. **REP. SOMERVILLE** explained the discussions with the ethanol corporation.

REP. ESP thought the highway program was important for the state. He was hesitant to put that at risk over a credit on ethanol.

REP. FORRESTER wondered if a sunset bill would effect this legislation. **CHAIRMAN STORY** said the sunset bill was independent of this bill and it would change the funding source.

REP. KEITH BALES asked what the Department of Justice's plan was. **Dave Galt** explained the department's funding within this bill.

REP. BALES asked why the pay plan was segregated out. **Dave Galt** explained the pay plans and how they were line items as actions in this legislature.

CHAIRMAN STORY said there could be some expense between the biennium. He wondered about the fiscal projections. **Dave Galt** did not know what the procedures were and when they would be up and running. **Jim Kerwin, Department of Transportation**, explained how the credit would work.

{Tape 1; Side B}

REP. ESP asked if this would be inoperative coming out of the general fund. **Dave Galt** said the amount would be statutorily appropriated. He said no one anticipates the ethanol facility to be on-line in this biennium.

REP. JOAN ANDERSON asked about the funding for the plant in Great Falls. **REP. SOMERVILLE** said the credit would be paid by the number of gallons produced. He said the full credit would come when the plant becomes fully operational.

REP. BALES referred to page two and asked about the language change. **REP. SOMERVILLE** said the Department of Transportation would still handle this. **Dave Galt** said the language was redundant and the department was defined in the bill.

REP. SOMERVILLE explained the statutory appropriations.

Vote: Motion failed 8-12 with REP. SOMERVILLE, REP. ERICKSON, REP. BALES, REP. CARNEY, REP. CYR, REP. ESP, REP. JACKSON and REP. WADDILL voting aye.

Motion/Vote: REP. SOMERVILLE moved HB 415 BE TABLED reversing the vote. Tabled 12-8.

EXECUTIVE ACTION ON HB 270

Motion: REP. WANZENRIED moved HB 270 DO PASS.

Discussion:

REP. WANZENRIED summarized the bill.

REP. SOMERVILLE wondered about supplies being occupational property. REP. WANZENRIED talked about the subsidizing and offering a matter of fairness for teachers.

REP. BALYEAT thought the definition of supplies was not clear. He wondered about the taxpayer being specified to not claim the deduction on the state income tax return.

REP. SOMERVILLE talked about deductions of teachers. REP. BALYEAT explained deductions with professions and added teachers do not receive different credits.

REP. TRUDI SCHMIDT wondered if this bill could be amended for deductions to be used as a credit. Jeff Martin, Legislative Staff, said language could be changed for the taxpayer claiming deductions.

Substitute Motion: REP. WANZENRIED made a substitute motion CHANGING LANGUAGE UNDER THIS CHAPTER.

Discussion:

REP. WANZENRIED clarified the subsection and how it would read.

Vote: Substitute motion carried unanimously.

Motion: REP. WANZENRIED moved HB 270 DO PASS AS AMENDED.

Discussion:

REP. BALYEAT said this amendment doesn't clarify or address the language concern. He was concerned about the credit offered.

CHAIRMAN STORY said the teacher would provide all the information to deduct such as supplies, expenses and lesson plans. He asked if this would apply. **REP. BALYEAT** said it breaks down into categories.

REP. EILEEN CARNEY said not many people want to go into teaching due to the salaries and it is hard to retain teachers. She felt this bill would assist with the credit to retain teachers and offer the profession.

REP. KARL WAITCHIES didn't like how the bill was written and thought there would not be good regulation if it passed.

{Tape 2; Side A}

REP. BRANAE mentioned an article offering higher salaries to students and helping with loan repayments. He felt this legislation was a good proposal.

REP. SCHMIDT wondered about school supplies and how they were credited. **REP. WAITSCHIES** said it becomes a deduction.

REP. SCHMIDT thought supplies are not offered to teachers and they need to look at supply and demand and offering a tax credit.

Substitute Motion: **REP. SOMERVILLE** made a substitute motion CHANGING ON LINE 11 33% TO 11% ELIMINATING THE NON-DEDUCTIBILITY.

Discussion:

REP. WANZENRIED wondered how this percentage would be effective.

REP. BALYEAT explained how the deductions would work.

Vote: Substitute motion failed 7-13 with **REP. SOMERVILLE**, **REP. ANDERSEN**, **REP. BALYEAT**, **REP. DEVLIN**, **REP. ESP**, **REP. JACKSON** and **REP. WAITSCHIES** voting aye.

Discussion:

REP. BALES expressed his thoughts and said this would not attract new teachers.

REP. BALYEAT responded by saying teachers are not required to apply to school boards. He felt the credit should express supplies as listed.

Substitute Motion: REP. WAITSCHIES made a substitute motion
ADDING CREDIT LIMIT TO \$150,000.

Discussion:

Jeff Martin suggested where to add the amendment and explained how it would read within the bill.

REP. WANZENRIED felt there were problems with tax credits.

Vote: Substitute motion failed 6-14 with REP. ESP, REP. FORRESTER, REP. FUCHS, REP. SCHMIDT, REP. WADDILL and REP. WAITSCHIES voting aye.

Discussion:

REP. FUCHS wanted to direct this towards teachers and offer them tax credits.

Substitute Motion/Vote: REP. FUCHS made a substitute motion TO ADD SUNSET CLAUSE UNTIL DECEMBER 2004. **Vote:** Substitute motion carried 13-7 with REP. SOMERVILLE, REP. BALES, REP. BALYEAT, REP. DALE, REP. JACKSON, REP. WAITSCHIES and CHAIRMAN STORY voting no.

Discussion:

REP. ANDERSEN was concerned about the qualifications of a teacher and how they were listed within the bill.

Jeff Martin said they should make the bill as simple as possible and it is becoming complicated.

Substitute Motion: REP. FUCHS made a substitute motion STRIKING SECTION FROM BILL AS TO NOT SEGREGATE TEACHERS PART-TIME, FULL-TIME OR PRIVATE.

Discussion:

REP. FUCHS didn't like the idea of changing the language of part-time teachers and full-time. He felt there needed to be credit with teachers in private schools as well.

Vote: Substitute motion failed 2-18 with REP. BALYEAT and REP. FUCHS voting aye.

Substitute Motion: REP. ANDERSEN made a substitute motion CHANGING SECTION TO TAKE ADD CONTRACT TEACHERS IN SUBSECTION TWO.

Jeff Martin wondered about the technical language and how to add.

Vote: Substitute motion failed 10-10 with REP. SOMERVILLE, REP. ANDERSEN, REP. BALES, REP. DALE, REP. DEVLIN, REP. ESP, REP. FORRESTER, REP. FUCHS, REP. LASLOVICH, REP. SCHMIDT and REP. WADDILL voting aye.

Vote: Motion DO PASS AS AMENDED failed 10-10 with REP. ERICKSON, REP. BRANAE, REP. CARNEY, REP. CYR, REP. FORRESTER, REP. FUCHS, REP. LASLOVICH, REP. SCHMIDT, REP. WADDILL and RE. WANZENRIED voting aye.

{Tape 2; Side B}

Motion/Vote: REP. FUCHS moved HB 270 BE TABLED. Motion carried 11-9 with REP. FUCHS voting no and changing vote from above.

EXECUTIVE ACTION ON HB 619

Motion: REP. WADDILL moved HB 619 BE AMENDED. Amendments were handed out **EXHIBIT**(tah56a03). He also handed out information regarding the bill **EXHIBIT**(tah56a04),

Discussion:

Jeff Martin explained the amendments and the information handed out.

REP. WADDILL felt these amendments should assist addressing any concerns from the hearing.

REP. ANDERSEN wondered about renovation work done and how another person would have to continue the renovation. REP. WADDILL said that is the understanding with the amendments.

REP. BALLYEAT felt confused about the comments relating to the credit. **Jeff Martin** referred to chapter 31 in appropriations for historic buildings and the credit involved.

REP. BALLYEAT said it shouldn't effect the federal credit. **Jeff Martin** agreed.

REP. WANZENRIED thought the credit only applied to certain structures. CHAIRMAN STORY said this amendment allows the credit to be carried forward.

REP. BALES asked if this would be an on-going credit. **Jeff Martin** answered this could be on-going.

REP. ESP wondered about generations carrying the credit on. **REP. BALYEAT** opposed the amendment due to the huge credit.

REP. BALES wondered about the income taxes.

Vote: Motion carried 15-5 with **REP. ANDERSEN, REP. BALES, REP. BALYEAT, REP. DEVLIN** and **REP. ESP** voting no.

Motion: **REP. WADDILL** moved HB 619 DO PASS AS AMENDED.

Discussion:

REP. WADDILL mentioned the heritage of tourist money coming into the state.

CHAIRMAN STORY referred to the fiscal note and explained the structure.

REP. ESP thought it was an reasonable approach to keep owners maintaining a building. He wondered about 80 years being better than 20 years. **Arnie Olson, Director, MT. Historical Society,** said there is a trade off if they want to renew the tax credit in the future. He added the shorter the time frame the more financial impact on the state.

Substitute Motion/Vote: **REP. ESP** made a substitute motion **CHANGING 80 years TO 29 years.** Motion failed 5-15 with **REP. ANDERSEN, REP. ESP, REP. DEVLIN, REP. BALYEAT** and **REP. JACKSON** voting yes.

REP. BALYEAT commented on the fiscal note showing no impact during this biennium.

REP. DALE wondered about existing credit. **Jeff Martin** said it would be a choice and could not be added. He added people would have to be on the register of historic places to renovate home.

REP. WAITSCHIES said he spoke to the sponsor and thought the 40% was too high. **REP. BALES** understand the use of this and he felt surprised of the design as a tax break with people who could afford it.

Vote: Motion failed 10-10 with **REP. SOMERVILLE, REP. ANDERSEN, REP. BALES, REP. BALYEAT, REP. DEVLIN, REP. ESP, REP. FUCHS, REP. JACKSON, REP. WAITSCHIES** and **CHAIRMAN STORY** voting no.

EXECUTIVE ACTION ON HB 622

Motion: REP. WANZENRIED moved HB 622 BE AMENDED. A copy of a testimony from the hearing was handed out EXHIBIT(tah56a05). Amendments were handed out EXHIBIT(tah56a06). Language and code information was also handed out EXHIBIT(tah56a07).

{Tape 3; Side A}

Discussion:

REP. WANZENRIED explained the amendments for this legislation.

REP. HOLLY RASER, HD 70, MISSOULA, talked about using natural gas and fuel cells. She said the intention is to be able to use the cells with natural gas and then switch to ethanol.

CHAIRMAN STORY asked for clarification of the amendments. REP. RASER said she has reviewed the amendment. Tom Livers, Department of Environmental Quality, explained amendment three and how it would be effective.

Jeff Martin followed up by saying line three would strike low emissions. He mentioned the credit for low emission stoves.

CHAIRMAN STORY wondered about the on-going credit. Jeff Martin said it would be a property tax.

CHAIRMAN STORY asked about the exemption. Jeff Martin explained the savings bond in this section to be amended. He added there should be a definition of what a wood stove would be.

REP. WAITSCHIES said there could be a conceptual motion pertaining to burning wood stoves. Jeff Martin explained where that amendment would occur. He referred to the general exemption of property tax.

Substitute Motion: REP. WAITSCHIES made a substitute motion ELIMINATING THE PROPERTY EXEMPTION CREDIT.

Discussion:

REP. ESP asked if the section could be amended along with the title of the bill. Jeff Martin answered yes.

REP. CARNEY thought amendment three was already working with this issue.

Jeff Martin said these amendments would take out Sections offering a tax credit for wood burning tax stoves. He said they had to be installed by January 1993 or 1996. He explained amendment number four defining the wood burning stove.

Substitute Motion/Vote: REP. ESP made a substitute motion adding a grandfather clause eliminating the exemption date. Motion carried 18-1 with REP. WANZENRIED voting no.

Substitute Motion/Vote: REP. CARNEY made a substitute motion to SEGREGATE amendments and add FUEL CELLS EXCEPT NATURAL GAS. Motion failed 0-19.

Motion/Vote: REP. WANZENRIED moved DO PASS AS AMENDED. Motion failed 10-10 with REP. SOMERVILLE, REP. ANDERSEN, REP. BALES, REP. BALLYEAT, REP. DALE, REP. ESP, REP. FUCHS, REP. JACKSON, REP. WAITSCHIES and CHAIRMAN STORY voting no.

{Tape 3; Side B}

EXECUTIVE ACTION ON HB 550

Motion: REP. CARNEY moved HB 550 BE AMENDED. Amendments were handed out **EXHIBIT**(tah56a08). Information pertaining to state earned income tax credit was also handed out **EXHIBIT**(tah56a09).

Discussion:

Jeff Martin explained the amendments and the clarifications for the bill. He mentioned the federal credit and the effective of approval.

REP. BALES said it would reduce the impact by half. **Jeff Martin** said it would take the fiscal impact from the fiscal year 2000.

Vote: Motion carried unanimously.

Motion: REP. CARNEY moved HB 550 DO PASS AS AMENDED.

Discussion:

REP. SOMERVILLE opposed the legislation because of the fiscal impact.

REP. BALLYEAT mentioned tax policy and the difficulties involved.

REP. SCHMIDT asked about the refunding portion. **Larry Finch, Department of Revenue,** said this is showing the results of the

analysis with conjunction of Department of Health and Human Services. He explained the funding and refunding portion.

REP. SCHMIDT asked if it could be incorporated into this bill. **Jeff Martin** said the analysis was done for a similar bill. He mentioned the transfer to the general fund.

Vote: Motion failed 5-15 with **REP. ERICKSON, REP. BRANAE, REP. CARNEY, REP. LASLOVICH** and **REP. WANZENRIED** voting aye.

Motion/Vote: **REP. DEVLIN** moved HB 550 BE TABLED. Motion carried by reversing above vote.

EXECUTIVE ACTION ON HB 244

Motion: **REP. WANZENRIED** moved HB 244 BE AMENDED. Amendments were handed out **EXHIBIT**(tah56a10).

Discussion:

CHAIRMAN STORY explained how this amendment adds terminology regarding the transaction transmission tax.

Vote: Motion carried unanimously.

Motion: **REP. CARNEY** moved HB 244 DO PASS AS AMENDED.

Discussion:

CHAIRMAN STORY explained what this bill's intent was. He added it would use the funds for research.

REP. ESP thought the energy tax might assist in this area.

CHAIRMAN STORY reminded the committee of the taxes involved with this bill.

REP. WANZENRIED asked about the proposed increases and if it was used to off set the utility costs. **CHAIRMAN STORY** mentioned two proposals with this bill and how they would intend to raise the tax.

REP. BALYEAT said this would lead to economic development. He pointed out the positive and negative correlation.

Vote: Motion failed 7-13 with **REP. ERICKSON, REP. CARNEY, REP. CYR, REP. FORRESTER, REP. LASLOVICH, REP. SCHMIDT** and **REP. WANZENRIED** voting aye.

Motion/Vote: REP. ESP moved HB 244 BE TABLED. Motion carried by reversing above vote.

Miscellaneous Discussion:

Revised amendment for HB 236 was handed out **EXHIBIT**(tah56a11).

Jeff Martin explained the revised amendments.

EXECUTIVE ACTION ON HB 441

Motion: REP. DEVLIN moved HB 441 BE AMENDED.

Discussion:

REP. DEVLIN explained the basics of the bill and what was drafted for amendments during the hearing. The amendment added defined full-time positions in the private sector not paying vacation leave.

Jeff Martin explained where to place the proposed amendment of changing the hours.

Vote: Motion HB 441 BE AMENDED carried unanimously.

Discussion:

REP. ESP referred to Subsection one and asked if corporations could double dip into this dealing with what is deductible and what is credit. **REP. DEVLIN** answered no. **Jeff Martin** pointed to sections that defined the corporation tax.

{Tape 4; Side A}

REP. BALLYEAT mentioned how corporation tax works. He said it would include sales from the state and all involved.

REP. ESP asked if this would be a refundable credit. **Jeff Martin** referred to Subsection four.

REP. ESP wondered why it didn't explain the portion that would be refundable.

Substitute Motion: REP. ESP made a substitute motion TO CHANGE LANGUAGE OF "MAY" TO "MUST" within Line 14.

Discussion:

Jeff Martin responded to the language changes and why "may" was used previously. He mentioned the tax credit carry overs.

Substitute Motion/Vote: **CHAIRMAN STORY** made a substitute motion Striking Line 14 from the bill. Motion carried unanimously.

Motion: **REP. DEVLIN** moved HB 441 DO PASS AS AMENDED.

Discussion:

REP. ESP wondered why this bill was important. **REP. DEVLIN** said they are trying to promote economic development.

REP. WAITSCHIES asked if this would apply to bigger corporations within the state. **CHAIRMAN STORY** explained they would have to pay 150% of federal minimum wage.

REP. LASLOVICH wondered about construction workers. **REP. DEVLIN** said construction workers wouldn't fall under this legislation because they are seasonal.

CHAIRMAN STORY asked if seasonal was defined somewhere else.

REP. DEVLIN said all construction positions were classified as seasonal employment.

REP. BALLYEAT said there should be a way to create more jobs. He explained federal tax policy. He mentioned tax credits and the differences of federal and state.

Vote: Motion failed 5-14 with **REP. ERICKSON**, **REP. CARNEY**, **REP. DEVLIN**, **REP. FORRESTER** and **REP. WAITSCHIES** voting aye.

Motion/Vote: **REP. WANZENRIED** moved HB 441 BE TABLED. Motion carried reversing above vote.

ADJOURNMENT

Adjournment: 11:37 A.M.

REP. BOB STORY, Chairman

CECILE M. TROPILA Transcriptionist

BS/RV

EXHIBIT (tah56aad)